



Health Services
LOS ANGELES COUNTY

Los Angeles County
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May 18, 2007

TO: Each Supervisor

FROM: Bruce A. Chernof, M.D.
Director and Chief Medical Officer

David E. Janssen
Chief Administrative Officer

SUBJECT: **NEGOTIATIONS WITH SHRINERS HOSPITAL
FOR CHILDREN**

Bruce A. Chernof, MD
Director and Chief Medical Officer

John R. Cochran III
Chief Deputy Director

Robert G. Splawn, MD
Senior Medical Director

On July 5, 2006, your Board instructed the Department of Health Services (DHS) and the Chief Administrative Office (CAO) to enter into negotiations with Shriners Hospital for Children (Shriners) regarding the establishment of a long-term land use agreement for the construction of a new Shriners hospital on the campus of LAC+USC Medical Center. We initiated negotiations on July 18, 2006 and have provided status reports on our progress.

Working with the local Shriners Board, the hospital executive from Shriners Hospitals for Children, Los Angeles and Counsel for the National Shriners Board, we completed lease agreements that would provide gratis long-term land use to Shriners. As indicated in our last status report, these agreements were submitted to the Shriners National Board in early April for their review, at which time we anticipated receiving its concurrence with the terms and conditions contained in the agreements.

Subsequently, we received the attached communication from Ralph W. Semb, Past Imperial Potentate President and Chairman Board of Trustees, indicating that the Joint Boards determined not to move forward with the ground lease. Local Shriners officials informed us that the basis of this decision was that the available acreage was inadequate, and did not meet their space requirements. This issue was not raised in our final discussions prior to submitting to their National Board.

Considering the above, this will be our last report on this matter.

If you have any questions or need additional information, please let us know.

BAC:fl
607:006

Attachment

c: County Counsel
Executive Officer, Board of Supervisor

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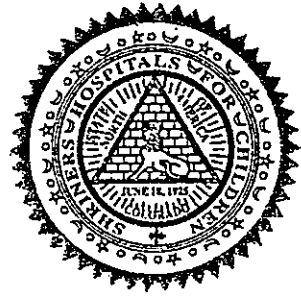
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ATTACHMENT

Shriners Hospitals for children

P. O. Box 99, Erving, Massachusetts 01344-0099
(413) 423-3047 Bus., (413) 423-3072 Res., (413) 221-7535 Cell.
(413) 423-3121 Fax., email: rsemb@shrinenet.org

RALPH W. SEMB
Past Imperial Potentate
President and Chairman
Board of Trustees



April 23, 2007

Mr. Fred Leaf
Department of Health Services
313 N. Figueroa Street
Los Angeles, CA 90012

John Edmiston
Chief Administrative Officer
Real Estate Division
222 S. Hill Street, 3rd Floor
Los Angeles, CA 90012

Gentlemen:

The Joint Boards of Trustees and Directors of Shriners Hospitals for Children have just completed their April Board meetings. After full discussion of the terms contained in the proposed Option to Lease and Lease Agreement negotiated with Los Angeles County, the Joint Boards determined not to move forward with the ground lease of the real property for purposes of Shriners Hospitals' construction of a replacement hospital on that site.

Please advise the LA County Counsel's Office and the other parties to the discussions concerning the proposed lease of the site.

Thank you for your efforts. Shriners Hospitals for Children regrets that a mutually acceptable agreement could not be reached.

Sincerely,

A handwritten signature in dark ink, appearing to read "Ralph W. Semb", is written over a horizontal line.

Ralph W. Semb

RWS: csh/pd

cc: Bernard J. Lemieux, M.D.
James M. Full
Stuart A. Wright
Terence Cunningham